

obtain credit using the Social Security number and non-existent credit history of a middle-class woman who lives in Westchester. On examining Jean's credit reports, I discovered that it was Megacorp, after extending credit to the Bronx delinquent, that reported the false name and new address to Experian linked to Jean's Social Security number. The alias and new address were automatically added to Jean's credit history without any verification whatsoever.

By making the false report to Experian, Megacorp apparently created a window of opportunity, enabling the Bronx lawbreaker to open accounts with Home Depot, Exxon, and AT&T Wireless, eventually involving over \$10,000 in bad debt. I contacted these vendors to correct their misimpression that Jean was their customer.

Significantly, neither Megacorp nor Experian nor any of the other credit reporting agencies attempted to contact Jean to verify the significant change in name and address reported by Megacorp.

I confronted representatives of Experian and the other credit agencies about the false information placed in Jean's credit report, yet they disclaimed any responsibility for the validity of the information. Representatives of Experian say they aren't responsible for the accuracy of the data provided by financial institutions and that they don't even review the information. "The banks do that," they asserted.

Experian's representatives were courteous, however, and amended the reports after we provided copies of the relevant court documents.

Megacorp continued to send Jean demand letters from various collection agencies for months after my first telephone and written responses. I kept on asking: How could anyone of even minimal competence look at the credit reports from Experian and other agencies and approve credit to the fictitious Bronx resident?

Answer: The credit report tied to Jean's Social Security number wasn't reviewed. One Megacorp representative told me unofficially that the Social Security number was simply checked for defaults, judgments, etc., and when it came up clean—the number, not the name and not the application—the credit was approved.

The Secret Service agent in White Plains, New York, who took the report on Jean's experience confirmed that he sees dozens of such cases every month in which Social Security numbers are used to commit fraud. The perpetrators are rarely caught.

Lenders and the providers of credit information have created a system that is inadequate to its purpose if a valid Social Security number and a couple of other pieces of information are sufficient to defeat most credit controls. Lenders may complain that it would be too costly to manually screen applicants and verify identities, but how much more costly would it be if they had to bear the costs they now push off onto Jean and other victims of fraud?

Financial author Martin Mayer rightly says that there are no economies of scale in banking, but the loan approval operation of too many consumer lenders suggests there are dis-economies of scale. It seems that the

bigger a bank gets, the sloppier it gets. To maximize revenue growth and control costs, consumer lenders use statistical screening tools and computer models to make credit decisions. In other words, they use the law of large numbers and simply roll the dice. If a criminal finds a Social Security number with a clean history, he's off to the races.

Eliminating the use of Social Security numbers as identifiers by law seems like a logical solution. Texas Rep. Ron Paul has introduced legislation to prohibit the commercial use of Social Security numbers as identifiers, but Congress needs to more thoroughly examine the issue.

Even if Social Security did not exist, the financial system would invent another system of universal identification. Congress should place the blame where it belongs, on the lenders and credit bureaus. It should require credit bureaus to obtain written affirmation from consumers prior to accepting a change in the name, address or other details on a credit history. Lenders should be held liable for reporting false information to credit bureaus, especially in cases where false reports lead to acts of financial fraud.

Additionally, Congress needs to afford consumers greater protection from asset seizures based solely on Social Security numbers.

We are, after all, innocent until proven guilty. A bank or Megacorp that treats us otherwise has committed a gross injustice. And it—not we—should pay.